

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature

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General Information

Mayoral Committee

Executive Mayor

Old Councillors

CN Mkhonto
SV Khumalo
M Chembeni Sahi
MJ Mnisi
LM Mochekoane
LN Shongwe
BS Mashego
FS Timba

New Councillors

LN Shongwe
MJ Morema
EI Shabangu
MJ Mnisi
BN Mdakane
LS Mkhathshwa
ET Mabuza
NC Hlophe
SP Monareng
MJ Mavuso
TB Mdhuli

Councillors

BD Dube
HB Magagula
TB Mdhuli
ZG Hlongwane
JS Sibozza
MF Nkadimeng
LC Dlamini
JL Sithole
MB Thumbathi
EF Lubede
SS Makubela
C Maluleke
RG Herbst
MJ Mashego
P W A Phalakatshela
BC Ndlovu
PM Mpholane
PJ de Witt

HL Lekhuleni
TR Makhubela
ML Mathebula
KR Mkhari
TC Dibakoane
MW Nkhata
LL Hadebe
SD Maebela
MM Nthali
BK Mokoena
TP Maphanga
L Sithole
SJ Mkhumbane
RG Herbst
GP Mkhombo
PR Rossouw
RN Mnisi
TR Makhubela

GC de Bruin
ZL Mandlazi
C Maseko
JM Mhlongo
TJ Milazi
VB Mlimi
MJ Msibi
AA Ndowane
L Chiwayo
SR Schormann
TN Sifunda
HK Malomane
RV Lukhele
NM Mabuza
MJ Mavuso
C Maluleke
LG Mathonsi
PRB Nel
CN Hlongwane
SJ Mabuza
PP Magagula
MN Nhlebeya
CG Dippenaar
ST Luthuli
C Magopane

LC Dlamini
TM Charles
JJ Khoza
HK Malomane
TP Manave
NB Matume
ET Mkhabela
CN Mnyambu
SI Mokoena
M Mayinga
DS Mthombathi
DD Ngwenyama
VL Nzimande
SR Schormann
GC De Bruin
T Khoza
WH Shongwe
E Masilela
M Zitha
A Mabuza
S Silombo
G Mogiba
DA Maphanga
R Khumalo
Z Godi

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VX Baloyi
 CS Nxumalo
 JH Ndlovu
 VN Mzimba
 SP Monareng
 ML Mathebula
 E Mokoena
 VM Manzini
 VL Mthabine

VX Baloyi
 H Khumalo
 TR Makhubele
 VN Mzimba
 EN Khoza
 D Mashabane
 L Khoza
 BR Ncube
 S Ndlovu
 H Thobakgale
 SE Molobela
 MM Marobela
 F Essack
 LV Mashaba
 S Mabuza

Other General Information

Executive Mayor	Clr: L Shongwe
Deputy Executive Mayor	-
Chief Whip	Clr: E I Shabangu
Speaker	Clr: M J Morema
Municipal Manager	Adv: HM Mbatha
Acting Chief Financial Officer (CFO)	Mr. W J Khumalo
Grading of local authority	5
Bankers	First National Bank
Auditors	Auditor- General – South Africa
Registered Office	8 Van Niekerk Street P O Box 3333 NELSPRUIT 1200
Accounting Officer	Adv. H Mbatha

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Accounting Officer's Responsibilities and Approval

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the presentation of these annual financial statements, which are set out on pages 5 to 37 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors as disclosed in note 20 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

Adv. H Mbatha
Municipal Manager

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Statement of Financial Position

Figures in Rands	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	3	262 827	264 713
Trade and other receivables from exchange transactions	2	39 755 935	1 221 509
VAT Receivable	6	10 324 341	30 082 194
Cash and cash equivalents	1	4 676 392	15 693 048
		55 019 495	47 261 464
Non - Current Assets			
Capitalized pre-paid expense	4	1 345 643	-
Property, plant and equipment	9	276 310 170	22 903 988
Investments	8	375 380	375 380
Other financial assets	7	158 657	167,544
Work in progress	11	14 730 551	315 519 681
		292 920 401	338 966 594
Total Assets		347 939 896	386 228 058
Liabilities			
Current liabilities			
Short term portion of long term debt	13	12 017 095	7 828 913
Trade and other payables from exchange transactions	10	29 593 781	25 853 601
Consumer deposits		6 000	-
Unspent conditional grants and receipts	14	3 681 759	17 676 789
Provisions	12	11 590 893	3 822 099
		56 889 528	55 181 401
None – Current Liabilities			
Other financial liabilities	13	215 009 492	216 147 010
Total liabilities		271 899 020	271 328 411
Net Assets		76 040 874	114 899 647
Net Assets			
Reserves			
Revaluation reserve		15 597 271	15 597 271
Capital Replacement Reserve		7 000 628	7 000 628
Accumulated surplus		53 442 975	92 301 750
Total Net Assets		76 040 874	114 899 647

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Statement of Financial Performance

Figures in Rands	Note(s)	2011	2010
Revenue			
Property rates	27	76 337 160	43 318 892
Levies		33	6 818
Rental of facilities and equipment	17	2 482 685	657 418
Government grants and subsidies	15	166 259 751	166 279 215
Revenue from non – exchange transactions		6 481 083	-
Other income		4 529 223	35 561 756
Interest received – investment	16	777 682	9 808 026
Dividends received	18	65 907	59 602
Total Revenue		256 933 524	255 691 727
Expenditure			
Personnel	19	(61 257 920)	(54 182 183)
Remuneration of councilors	20	(9 996 539)	(8 360 035)
Audit fees	25	(2 487 384)	(1 011 150)
Depreciation and amortization	21	(18 226 815)	(2 718 407)
Finance costs	22	(24 431 407)	(10 431 206)
Debt impairment		(37 415 199)	(43 318 892)
Repairs and maintenance		(175 047)	(541 333)
Contracted services	23	(3 865 013)	(2 055 767)
General Expenses	28	(50 828 065)	(101 852 008)
Total Expenditure		(208 683 389)	(224 470 980)
Loss on disposal of assets	24	(157 123)	132 905
Actuarial loss	24	(952 000)	-
Surplus for the year		47 141 012	31 353 652

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Statement of Changes in Net Assets

Figures in Rand	Revaluation Reserve	Capital Replacement reserve	Accumulated Surplus	Total net assets
Balance at 01 July 2009	15 597 271	7 000 628	113 181 199	135 779 098
Changes in net assets				
Prior year errors and adjustments	-	-	(45 431 597)	(45 431 597)
Transferred to accumulated surplus	-	-	(6 801 506)	-
Net income (losses) recognized directly in net assets	-	-	(52 233 103)	(45 431 597)
Surplus for the year	-	-	31 353 654	31 353 652
Total recognised income and expenses for the year	-	-	(20 879 449)	(14 077 945)
Total changes	-	-	(20 879 449)	(14 077 945)
Balance at 01 July 2010	15 597 271	7 000 628	92 301 750	114 899 649
Changes in net assets				
Surplus for the year	-	-	47 141 012	47 141 012
Transferred from Accumulated surplus and adjustments	-	-	(81,044,038)	(81,044,038)
Prior year adjustments	-	-	(4,955,749)	(4,955,749)
Balance at 30 June 2011	15 597 271	7 000 628	53 442 975	76 040 874

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Cash Flow Statement

Figures in Rands	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Grants and Subsidies		166 259 751	166 279 214
Interest received		777 682	9 808 026
SARS VAT Refunds		33 384 263	46 158 656
Dividends received		65 907	59 602
Other receipts		11 644 649	36 225 994
		212 132 252	258 531 492
Payments			
Employee costs		(71 254 459)	(62 542 218)
Suppliers		(80 544 916)	(123 277 222)
Interest paid		(24 431 407)	(10 431 206)
Other cash payments		(3 926 487)	(74 146 699)
		(180 157 269)	(270 397 345)
Net cash flows from operating activities	29	31,974,983	(11 865 853)
Cash flows from investing activities			
Purchase of property, plant and equipment		(253 406 182)	420 906
Proceeds from sale of property, plant and equipment		5 000	(3 448 555)
Proceeds from sale of financial assets		-	41 902 078
Increase / decrease in pre-paid expenses		(1 345 643)	-
Increase / Decrease in Non current Assets - WIP		300 789 130	(204 560 715)
Net cash flows from investing activities		(46 042 305)	(165 686 286)
Cash flows from financing activities			
Loans repaid		(18 863 936)	(40 000 000)
Loans raised		21 914 602	227 000 000
Net cash flows from financing activities		3 050 666	187 000 000
Net increase/(decrease) in cash and cash equivalents		(11 016 656)	9 447 861
Cash and cash equivalents at the beginning of the year		15 693 048	6 245 187
Cash and cash equivalents at the end of the year	30	4 676 392	15 693 048

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Accounting Policies

1. Presentation of Annual Financial Statements

These annual financial statements have been prepared in accordance with the effective Standards of Generally Recognized Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

These accounting policies are consistent with the previous period, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Presentation of currency

These annual financial statements are presented in South Africa Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

An increase in an asset's carrying amount, as a result of a revaluation, is recognized in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment is carried at less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognized in surplus or deficit to the extent that it reserves a revaluation decrease of the same asset previously recognized in surplus or deficit.

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Accounting Policies

1.4 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognized in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.4.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognized as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.4.2 Subsequent measurement – revaluation model

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent of any credit that it reverses a revaluation decrease of the same asset previously recognized in surplus or deficit.

1.4.3 Subsequent measurement – cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognizes the part of the asset being replaced and capitalizes the new component. Subsequent expenditure incurred on an asset is capitalized when it increases the capacity or future economic benefits associated with the asset.

1.4.4 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Buildings	50
Furniture and fixtures	10-15

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Motor vehicles	5-10
Office equipment	3-5
Other items of plant and equipments	5-10
Bins and containers	5-10

1.4 Property, plant and equipment (continued)

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognized as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

1.4.5 Derecognition

Items of property, plant and equipment are derecognized when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

1.5 Intangible assets

1.5.1 Initial recognition

Internally generated intangible assets are subject to strict recognition criteria before they are capitalized. Research expenditure is never capitalized, while development expenditure is only capitalized to the extent that:

- The municipality intends to complete the intangible asset for use or sale;
- It is technically feasible to complete the intangible asset;
- The municipality has the resources to complete the project; and
- It is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognized at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.5.2 Subsequent measurement – cost model

Intangible assets are subsequently carried at cost less accumulated amortization and impairments. The cost of an intangible asset is amortized over the useful life where that life is finite. Where the useful life is indefinite, the asset is not amortized but is subject to an annual impairment test.

1.5.3 Amortisation and impairment

Amortization is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortization rates are based on the following estimated average asset lives:

Computer software

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognized as a change in accounting estimate in the Statement of Financial performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service

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amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.5.4 Derecognition

Intangible assets are derecognized when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

1.6 Investment property

1.6.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

1.6.2 Subsequent measurement – cost model

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

1.6.3 Subsequent measurement – fair value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.7 Non-current assets held for sale and disposal groups

1.7.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.7.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortized) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognized in surplus or deficit.

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1.8 Inventories

1.8.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognized at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.8.2 Subsequent measurement

1.8 Inventories (continued)

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realizable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognized in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realizable value or current replacement cost is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognized as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalization to the cost of another asset.

1.9 Financial instruments

Initial recognition and measurement

Financial instruments are initially recognized at fair value.

Subsequent measurement

Financial Assets are categorized according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorized as either at fair value through profit or loss or financial liabilities carried at amortized cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorization and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorized as either held-to-maturity where the criteria for that categorization are met, or as loans and receivables, and are measured at amortized cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Trade and other receivables

Trade and other receivables are categorized as financial assets: loans and receivables and are initially recognized at fair value and subsequently carried at amortized cost. Amortized cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

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Trade and other payables

Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortized cost, are initially recognized at fair value and subsequently measured at amortized cost which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorizes cash and cash equivalents as financial assets: loans and receivables.

Bank overdraft and borrowings

1.9 Financial instruments (continued)

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorized as financial liabilities: other financial liabilities carried at amortized cost.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealized gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognized in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit – held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.10 Investments in association

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgment in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognizing the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

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The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

1.11 Unauthorised expenditure

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Provisions and contingencies

Provisions are recognized when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognize a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognized for future operating losses. The present obligation under an onerous contract is recognized and measured as a provision.

A provision for restructuring costs is recognized only when the following criteria over and above the recognition criteria of a provision have been met:(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned;- the principal locations affected;- the location, function, and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and when the plan will be implemented; and

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(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.15 Leases

Financial leases – lessor

Under a finance lease, the municipality recognizes the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Finance leases – lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognized at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognized at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases - lessor

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

1.16 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

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Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

Other grants and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalization of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalize borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.19 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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1.20 Revaluation reserve

The surplus arising from the revaluation of land and building is created directly to a non-distributable reserve. The revaluation surplus is realized as revalued buildings are depreciated, through a transfer from the revaluation reserve to the Accumulated surplus / deficit. On disposal, the net revaluation surplus is transferred to the Accumulated surplus while gains and losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.21 Impairment of cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.22 Comparative information

Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior year period comparative amounts are also reclassified.

Current year budgets

Budgeted amounts have been included in the Annual Financial Statement for the current financial year only.

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.23 Contingent Liability

A contingent liability is:

- (a) a possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events no wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation.
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

1.24 Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. New standards and interpretations

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provision for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 1 April 2013.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2010.

The Municipality has adopted the standard for the first time in 2011 annual financial statements.

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2011	2010
	R	R
1. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	4,000	4,000
Cash at bank	4,672,392	15,689,048
	4,676,392	15,693,048
The Municipality has the following bank accounts:		
<u>Current Account (Primary Bank Account)</u>		
FNB Nelspruit Branch: Account Number Acc 62 113 491 419	1,327,579	12,297,403
Cash book balance at beginning of year	12,297,403	1,250,262
Cash book balance at end of year	1,327,579	12,297,403
Bank statement balance at beginning of year	12,297,403	3,084,620
Bank statement balance at end of year	1,327,579	12,297,403
<u>Current Account (Other Account)</u>		
First National Bank - Nelspruit Branch: Acc 62 113 492 938	203,690	204,258
First National Bank - Nelspruit Branch: Acc 62 113 495 916	413,582	410,965
First National Bank - Nelspruit Branch: Acc 62 113 496 360	411,056	408,460
First National Bank - Nelspruit Branch: Acc 62 113 496 708	947,348	1,025,994
First National Bank - Nelspruit Branch: Acc 62 113 498 564	1,310,832	1,282,805
First National Bank - Nelspruit Branch: Acc 62 113 499 554	58,303	59,163

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

2. TRADE AND OTHER RECEIVABLES

	2011	2010
Other debtors	209,999	1,895,848
Sundry debtors	89,232	-
Levy debtors	119,475,060	43,318,892
Total Other Debtors	119,774,291	45,214,740
Less: Provision for Bad debts	(80,018,356)	(43,993,231)
Net Balance	39,755,935	1,221,509

Reconciliation

BAD DEBTS PROVISION

Opening 1 July 2010	(43,993,231)
Contributions to provision (other debtors)	(37,415,199)
Expenditure incurred / Utilized during the year	1,390,074
Closing 30 June 2011	(80,018,356)

3. INVENTORIES

	2011	2010
Opening balance	264,713	274,860
Additions	560,734	859,276
Issued (Expensed)	(562,620)	(869,423)
Closing balance	262,827	264,713

4. CAPITALISED PREPAYMENTS

	2011	2010
Capitalized Pre-paid expenses	1,345,643	-

5. SHORT TERM FIXED DEPOSITS

	2011	2010
Fixed deposits	-	-

6. VAT RECEIVABLE

	2011	2010
SARS VAT REFUNDABLE	10,324,341	30,082,194

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

7. NON - CURRENT RECEIVABLES

	2011	2010
Car Loans	102,130	111,018
Study loans	56,527	56,526
Housing selling scheme loans	-	-
Other non-current receivables	-	-
	158,657	167,544
Less : Provision for bad debts	-	
Car loans	-	-
Staff loans	-	-
Other non-current receivables	-	-
	158,657	167,544

8. INVESTMENTS

	2011	2010
Fixed Deposits	-	-
Listed Investments	375,380	375,380
Other Investments	-	-
	375,380	375,380

The market value of the listed investment at 30 June 2011 was R 1,404,716.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

9. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying value	P,P & E R	Total R
Carrying values at 1 July 2010	22,903,989	22,903,989
Cost	32,025,146	32,025,146
Accumulated Depreciation	(9,121,157)	(9,121,157)
Acquisitions	270,968,611	270,968,611
Net Disposals	(624,866)	(624,866)
Depreciation	(18,226,815)	(18,226,815)
Revaluation	-	-
Correction of error	1,289,251	1,289,251
Carrying values at 30 June 2011	276,310,170	276,310,170
Cost	300,726,029	300,726,029
Accumulated Depreciation	(24,415,859)	(24,415,859)

Refer to Appendix B for more detail on property, plant and equipment

10. TRADE AND OTHER PAYABLES

	2011	2010
Trade creditors	20,019,875	14,680,468
Payments received in advance	-	-
Retentions	9,573,906	11,173,133
Guarantees	-	-
Sundry Creditors	-	-
Other creditors	-	-
Total creditors	29,593,781	25,853,601

The fair value of trade and other payables approximates their carrying amounts.

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

11. WORK IN PROGRESS

	2011	2010
Construction work in progress	<u>14,730,551</u>	<u>315,519,681</u>

12. CURRENT PROVISIONS

	2011	2010
Leave provisions	<u>11,590,893</u>	<u>3,822,099</u>

The movement in the current provision can be reconciled as follows

	Post Retirement benefits	Provision for leave
Opening 1 July 2010	-	(3,822,099)
Contributions to provision	8,387,000	(317,559)
Expenditure incurred	-	935,765
Closing 30 June 2011	<u>8,387,000</u>	<u>(3 203 893)</u>

13. NON - CURRENT BORROWINGS

	2011	2010
Finance lease	11,024,077	-
DBSA Loans	<u>216,002,510</u>	<u>223,975,922</u>
Total Borrowings	<u>227,026,587</u>	<u>223,975,922</u>
Less: Current portion transferred to current liabilities	12,017,095	7,828,912
Total Borrowings	<u>215,009,492</u>	<u>216,147,010</u>

Refer to Appendix A for more detail on borrowings.

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

14. UNSPENT CONDITIONAL GRANTS FROM SPHERES OF GOVERNMENT

	2011	2010
Dwaf Drought Relief	-	742,723
Dwaf	-	2,751,853
Ehlanzeni DM FMG	217,786	823,397
Ehlanzeni DM Pims	-	297,078
Dept of Sport and Recreation	-	2,766,595
Local Government	2,000,000	3,087,022
Nkomazi Lc Co-Funding	-	722,456
Umjindi Lc Co-Funding	-	10,602
Sanitation Pilot Projects	-	67,799
CBPWP: Rapid Delivery Projects	-	2,109,775
Department of Local Government and Housing	-	969,626
Municipal Systems Improvement Grant MSIG	1,463,973	1,158,986
Municipal Infrastructure Grant: MIG	-	1,575,145
National and Provincial Events	-	18,578
SETA	-	544,638
Transitional Fund	-	30,514
Current portion of unspent conditional grants	3,681,759	17,676,787

15. GOVERNMENT GRANTS AND SUBSIDIES

	2011	2010
Equitable share	35,938,017	26,141,042
Levy Replacement Grant	131,321,734	127,366,625
MIG - Conditions met	-	9,476,952
FMG – Conditions met	-	1,731,155
Volunteer 2010 Grant	-	1,563,440
Total Government Grants and Subsidies	166,259,751	166,279,214

see note 26 below for the reconciliation of these grants

16. INTEREST EARNED

	2011	2010
Financial assets	777,682	9,808,026
Other	-	-
Total interest	777,682	9,808,026

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

17. RENTAL OF FACILITIES AND EQUIPMENT

	2011	2010
Rental of property	2,482,685	655,050
Other rentals	-	2,368
Total rentals earned	2,482,685	657,418

18. DIVIDENDS RECEIVED

	2011	2010
Dividends received - SANLAM	65,907	59,602
Other dividends	-	-
Total Dividends	65,907	59,602

19. EMPLOYEE RELATED COSTS

	2011	2010
Employee related costs - Salaries and wages	37,340,322	32,393,660
Employee related costs - Contributions for UIF, Pensions and Medical aids	10,362,207	9,477,005
Travel, motor car, accommodation, subsistence and other allowances	9,697,992	8,836,811
Housing benefits and allowances	562,421	558,266
Overtime payments	621,931	515,087
Bonuses	2,454,730	2,197,378
Other allowances	4,000	7200
Bargaining Council	6,869	6,043
Redemption of leave	-	45,000
Acting Allowances	207,448	145,733
Total Employee Related Costs	61,257,920	54,182,183

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Remuneration of the Municipal Manager	2011	2010
Annual Remuneration	849,969	815,832
Performance- and other bonuses	148,740	-
Travel, motor car, allowances	156,000	156,000
Contributions to UIF, Medical and Pension Funds	388,693	215,187
Total	1,543,402	1,187,019

Remuneration of the Chief Finance Officer (resigned 30 April 2011)		
Annual Remuneration	585,645	679,584
Performance- and other bonuses	-	-
Travel, motor car, allowances	218,218	180,000
Contributions to UIF, Medical and Pension Funds	184,545	151,006
Total	988,408	1,010,590

Remuneration of the Manager: Office of the Municipal Manager		
Annual Remuneration	682,072	650,652
Salary Back pay / Annual bonuses	-	-
Travel, motor car, allowances	170,076	156,000
Contributions to UIF, Medical and Pension Funds	1,497	1,497
Total	853,645	808,039

Remuneration of the individual Managers - 2011	Community Services	Technical services
Annual Remuneration	648,075	788,685
Performance- and other bonuses	75,902	-
Travel, motor car, allowances	207,487	192,014
Contributions to UIF, Medical and Pension Funds	238,015	179,874
Total	1,169,479	1,160,573

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Remuneration of the individual Managers - 2011	Corporate Service	LED & TOURISMS
Annual Remuneration	615,162	611,318
Performance- and other bonuses	-	132,773
Travel, motor car, allowances	209,919	211,092
Contributions to UIF, Medical and Pension Funds	235,549	179,874
Total	1,060,630	1,135,057

20. REMUNERATION OF COUNCILLORS (Old Councillors paid until 20 May 2011 and New Councillors from 02 June 2011 until 30 June 2011)

	2011	2010
Executive Mayor	726,719	593,375
Deputy Executive Mayor	511,464	478,120
Speaker	557,961	478,120
Chief Whip	270,451	449,315
Councillors	7,055,711	5,706,391
Councillors Pension Fund Contribution	643,859	519,930
Councillors Other allowances	230,374	134,784
	9,996,539	8,360,035

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee are full-time. Each is Provided with an office and secretarial support at the cost of Council. The Executive Mayor has use of a Council owned vehicle for official duties. The Executive Mayor has a full-time bodyguard, a full-time driver and full time security guard at her residence, at the cost of Council.

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

21. DEPRECIATION

	2011	2010
Property, plant and equipment	18,226,815	2,718,407
Intangible assets	-	-
Investment property carried at cost	-	-
Total Depreciation	18,226,815	2,718,407

22. FINANCE COSTS

	2011	2010
Borrowings	24,431,407	10,431,206
Other	-	-
Bank overdrafts	-	-
Total Finance Costs	24,431,407	10,431,206

23. CONTRACTED SERVICES

	2011	2010
Contracted services for:		
Cleaning services	-	190,346
Security Services – cash collection	68,006	228,270
Other contracted services	3,797,007	1,637,150
	3,865,013	2,055,766

24. GAIN OR (LOSS) ON SALE OF ASSETS

	2011	2010
Property, Plant and Equipment	157,123	132,905
Other Financial Assets	952,000	-
	1,109,123	132,905

25. AUDIT FEES

	2011	2010
Auditors remuneration	2,487,384	1,011,150
	2,487,384	1,011,150

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

26. RECONCILIATION OF GRANTS

26.1 EQUITABLE SHARE

	2011	2010
Balance unspent at beginning of year		-
Current year receipts	(166,259,751)	(153,507,668)
Conditions met - transferred to revenue	166,259,751	153,507,668
Conditions still to be met	<u>-</u>	<u>-</u>

In terms of the Constitution, this grant is used to subsidize the provision of basic and administrative services.

26.2 MUNICIPAL INFRASTRUCTURE GRANT

	2011	2010
Balance unspent at beginning of year	(1,575,147)	(787,099)
Current year receipts	-	(10,265,000)
Expenditure	-	-
Conditions met - transferred to revenue	(1,575,147)	9,476,952
Conditions still to be met	<u>-</u>	<u>(1,575,147)</u>

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilized in providing basic services for the benefit of poor households. The grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

26.3 MUNICIPAL SYSTEMS IMPROVEMENT GRANT

	2011	2010
Balance unspent at beginning of year	(1,158,986)	(668,175)
Current year receipts	(750,000)	(735,000)
Expenditure	445,012	-
Conditions met - transferred to revenue	-	244,189
Conditions still to be met	<u>(1,463,973)</u>	<u>(1,158,986)</u>

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilize Institutional and governance systems as required in the Local Government Municipal Systems Act of 2000.

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

27. PROPERTY RATES

PROPERTY RATES	2011
<u>ACTUAL BILLING</u>	
	R
Residential	1,304,538
Game Farming	149,513,682
Other	95,265
Commercial	22,901,637
Public Service Infrastructure	21,673
TOTAL PROPERTY RATES	173,836,795
Property rates – Phase in Rebate	97,499,635
NET PROPERTY RATES	76,337,160
<u>VALUATIONS</u>	
Residential	304,858,567
Game Farming	10,299,735,936
Commercial	1,577,656,949
Public Service Infrastructure	14,993,306
Other	65,635,461
TOTAL PROPERTY VALUATIONS	12,262,880,219

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations.

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

28. GENERAL EXPENSES

Included in general expenses are the following costs above R 100 000:-	2011	2010
Advertising	352,549	255,354
Annual Budget and Functions		-
Bursaries		181,347
Branding and Marketing	-	-
Computer Maintenance and Support	1,739,110	1,229,704
Computer systems - programmes and Training	-	-
Community outreach	446,586	446,586
Disaster Management costs – Centre	1,345,275	4,154,269
Disaster Management Operational Cost	-	1,552,812
Entertainment	308,058	347,884
Assistance to Local - Capital Projects	17,735,238	60,079,339
Fuel and oil	700,743	578,094
Grading Informal Accommodation	-	779,904
GIS Operational Costs	119,140	227,719
HIV / AIDS Awareness	439,199	439,199
IDP Review	-	337,355
Insurance	596,157	523,181
Water and electricity	1,942,797	-
Legal expenses	905,953	2,798,347
Membership fees – SALGA	459,553	371,934
Municipal Health Operational Costs	197,896	321,387
Long term development strategy	150,000	-
Marketing and publicity	834,401	-
LED, Tourism Development	1,885,377	-
Printing and stationery	562,620	869,425
Professional fees	199,261	263,484
Programs and Campaign	487,527	-
Presidential imbizo	-	-
2010 Programs	-	2,858,423
Rental of buildings	4,943,486	7,315,396
Rental of office equipment	485,532	640,252
Skills development levies	539,917	419,490
Telephone cost	1,427,627	1,421,687
Training	456,308	1,901,452
Travel and subsistence	1,922,305	2,509,800
Tourism and Tour guides 2010	-	6,255,606
Trade Zones	-	381,455
Valuation Roll – Compilation	-	882,105

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Volunteer Program 2010

-	671,826
41,182,615	101,014,816

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

29. NETCASH GENERATED FROM OPERATING ACTIVITIES

	2011	2010
Surplus/(deficit) for the year	41,141,012	31,353,654
Adjustment for:-		
Depreciation and amortization	18,226,815	2,718,407
(Gain) / loss on sale of assets / Actuarial losses	1,109,123	(132,905)
Contribution to provisions - current	37,415,199	43,318,892
Revenue from non-exchange transaction	(6,481,083)	-
Investment Income	(777,682)	(9,808,026)
Previous year's operating transactions	(48,397,729)	(49,645,365)
Finance Charges	24,431,407	10,431,206
Operating surplus before working capital changes:	72,667,062	28,235,863
(Increase)/decrease in inventories	1,886	10,417
(Increase)/decrease in trade receivables	(38,534,426)	(42,270,497)
(Increase)/decrease in other Creditors	(3,740,180)	12,485,346
(Increase)/decrease in VAT receivable	19,757,853	(426,437)
Increase/(decrease) in conditional grants and receipts	(13,995,030)	(2,071,633)
Increase/(decrease) in Current Portion of Long term debt	(4,188,182)	(7,828,912)
Increase/(decrease) in Consumer deposits	6000	-
Net Cash generated by/(utilized in) operations	31,974,983	(11,865,853)

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

	2011	2010
Bank balances and cash	4,676,392	15,693,048
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	4,676,392	15,693,048

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

31. COMMITMENTS

OPERATING LEASE COMMITMENTS

At the reporting date the municipality had outstanding commitments under operating leases which fall due as follows:

	2011	2010
Within one year	299,082	6,334,005
In the second to fifth year inclusive	-	299,082
After five years	-	-
Total	299,082	6,633,087

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for office machines leased. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

32. CONTINGENT LIABILITIES

CONTRACTUAL DISPUTES

Contractual disputes- former Bohlabela District Municipality
 Various contractual claims by contractors/employees are currently in dispute, and are being addressed through mediation. The maximum unforeseen liability is estimated at R 3,896,529 (2010: R 1,731,418).

	3,896,529	1,731,418
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EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

33. CORRECTION OF ERROR

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality-

32.1 Accumulated Surplus

Error Corrections:-

	2011 R	2010 R
Transferred from Accumulated surplus	6,245,000	-
Provision for Post Retirement Benefits	(6,245,000)	-
	-	-

32.2 Property Plant and Equipment

Accumulated depreciation : Balance previously reported

Correction of error

Restated Accumulated depreciation

(9,121,157)

1,289,251

(7,831,906)

34. FRUITLESS AND WASTEFULL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

	R
Opening balance	-
Current year *	-
Closing balance	-

* None identified during the current year

35. IRREGULAR PAYMENTS

Reconciliation of Irregular Payments

	2011	2010
Opening Balance	-	-
Irregular Payment - Current year	4,739,099	4,154,269
Approved by Council	(4,739,099)	(4,154,269)
Transfer to Recoveries / debtors	-	-
Closing Balance	-	-

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

In terms of section 36 of the Municipal Supply Chain Management Policy, any deviation from the Supply Chain Management Policy needs to be approved / condoned by Municipal Manager and Noted by Council. The expenses incurred as listed have been condoned by Council.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

36. UNAUTHORIZED EXPENDITURE

	2011	2010
Reconciliation of unauthorized expenditure		
Opening Balance	415,541	-
Unauthorized expenditure - Current year	209,999	656,659
Approved by Council	(415,541)	(241,118)
Transfer to Recoveries / debtors	(209,999)	-
Closing Balance	-	415,541

Details of unauthorized expenditure

Activity / Incident	Amount R's	Status
Unauthorized Trip to Mexico – November 2010	209,999	Transferred to Debtors
	209,999	

37. FINANCIAL RISK MANAGEMENT

Exposure to Interest rate, Liquidity and Credit risks arises in the normal course of the Municipality's operations. The municipality has established a risk management committee, which is responsible for developing and monitoring the municipality's risk management policies. The risk management policies are established to identify and analyse the risks faced by the municipality, to set up risk limits and controls and to monitor risks and adherence to limits. Risk management policies are to be reviewed regularly to reflect changes in the Municipalities activities.

INTEREST RATE RISK

Ehlanzeni District Municipality is not exposed to any interest rate risks on its financial liabilities. As at the end of the financial year (30 June 2010), Ehlanzeni District Municipality only had only three fixed interest bearing loans with the Development Bank of Southern Africa (DBSA) as reflected on APPENDIX A. It should be noted that the interest in these three loans is fixed until maturity. Similarly, with Financial Assets, Ehlanzeni District Municipality invests its surplus funds / cash not immediately required in a fixed interest rate deposit with the A+ rated banks for fixed terms not exceeding one year.

LIQUIDITY RISKS

Ehlanzeni District Municipality manages its liquidity risks by effectively managing its working capital, capital expenditure, external borrowings. Standby Credit facilities in the form of an of a R 20 000 000

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

bank overdraft facility has been negotiated with the main banker and provisionally approved. The overdraft facility will cater for any unexpected temporary shortfall in operating funds.

CREDIT RISK

Ehlanzeni District Municipality manages its Credit Risk in its borrowing and investing activities by dealing with the A+ rated financial institutions, and by spreading its exposure over a wide range of financial institutions in accordance with the Approved Cash and Investment Policy as was approved by Council.

CURRENCY RISKS

Ehlanzeni District Municipality is not exposed to any Currency Risks as all transactions are undertaken in Rands, i.e. the local Currency. The municipality was not a party to any foreign exchange contracts at the reporting dates.

38. RELATED PARTIES

During the year, in the ordinary course of business, transactions between the Ehlanzeni District Municipality and the Provincial Department of Transport have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

Transactions for the year not at arms length:	2011	2010
Rental received: Provincial Department of Transport	1,960,800	655,050

KEY MANAGEMENT PERSONNEL - REMUNERATION

See *note 19 and 20* for the remuneration of key management personnel and Councillors.

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

	Balance at 1-Jul-10	Received during period	Redeemed/ Written off during the Period	Balance At 30-Jun-11	Carrying Value of Property Plant and Equipment	Other costs in accordance With MFMA
<u>ANNUITY LOANS</u>						
Finance Lease	-	21,914,602	(10,890,525)	11,024,077		
*DBSA - 103347/1	33,283,996	-	(3,696,010)	29,587,986		
** DBSA - 103347/2	168,691,926	-	(2,673,824)	166,018,102	276,310,170	-
***DBSA - 103347/3	22,000,000	-	(1,603,578)	20,396,422		
	223,975,922	-		227,025,587	276,310,170	-

*: date of maturity 31/12/2016

** : date of maturity 31/12/2029

***: date of maturity 30/06/2020

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	COST				ACCUMULATED DEPRECIATION						
	Opening Balance	Additions/ Transfer in	Disposal / transfer out	Revaluations	Closing Balance	Opening Balance	Current Depreciation	Transfer in	Disposals/transfer out	Closing Balance	Carrying amount
Community Assets											
LAND	-	7,165,083			7,165,083	-	-	-		-	7,165,083
BUILDINGS	15,597,271	230,517,637	-	-	246,114,908	(1,558,167)	(5,958,741)	-		(7,516,909)	238,597,999
WATER											
Subtotal	15,597,271	237,682,720	-	-	253,279,991	(1,558,167)	(5,958,741)	-		(7,516,909)	245,763,082
Other Assets											
Furniture	2,749,764	6,604,992	(5,217)	-	9,349,538	(156,231)	(958,410)	24,990	4,572	(1,085,078)	8,264,460
Office equipment	7,390,880	25,408,772	(1,347,414)	-	31,452,238	(5,370,525)	(10,036,099)	1,070,796	1,230,405	(13,105,423)	18,346,815
Bins and Containers	15,581	-	(11,291)	-	4,290	(7,222)	(2,240)	690	5,739	(3,032)	1,258
Motor vehicles	4,379,968	-	-	-	4,379,968	(1,580,640)	(837,438)	192,775		(2,225,303)	2,154,665
Plant and equipment	1,891,682	1,272,127	(903,805)	-	2,260,004	(448,372)	(433,887)		402,145	(480,114)	1,779,890
Other	-										
Subtotal	16,427,875	33,285,891	(2,267,727)	-	47,446,038	(7,562,990)	(12,268,074)	1,289,251	1,642,861	(16,898,950)	30,547,088
TOTAL	32,025,146	270,968,611	(2,267,727)	-	300,726,029	(9,121,157)	(18,226,815)	1,289,251	1,642,861	(24,415,859)	276,310,170

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	COST				ACCUMULATED DEPRECIATION						
	Opening Balance	Additions/transfer in	Disposal/transfer out	Closing Balance	Opening Balance	Current	Disposal	Transfer in/out	Correction of error	Closing Balance	Carrying Value.
Executive mayor	1,358,120	448,134	(164,792)	1,641,462	(430,596)	(267,453)	78,940	8,691	27,012	(583,406)	1,058,056
Corporate Services	19,346,909	246,374,210	(913,361)	264,807,758	(3,211,646)	(8,712,770)	859,540	(2,256,490)	774,321	(12,547,045)	252,260,713
Speaker	249,325	240,448	(54,667)	435,106	(138,033)	(86,148)	31,630	23,936	10,669	(157,946)	277,160
Mayoral committee	121,414	-	(121,414)	-	(90,239)	-	-	90,239	-	-	-
Municipal manager	1,512,228	785,453	(361,319)	1,936,362	(644,195)	(399,083)	40,675	104,414	71,138	(826,751)	1,109,611
Finance	3,924,847	1,372,777	(2,703,283)	2,594,341	(2,743,965)	(453,590)	133,917	1,932,869	132,168	(998,601)	1,595,740
Municipal works	1,080,710	531,684	(521,730)	1,090,664	(451,970)	(178,904)	38,620	211,194	53,930	(327,130)	763,534
Community services	3,790,339	23,891,583	(924,917)	26,757,005	(1,174,797)	(7,895,501)	433,623	(11,615)	122,740	(8,525,489)	18,231,516
LED & Tourism	323,027	578,371	(1,958)	899,440	(156,695)	(140,150)	1,778	(11,556)	53,123	(253,500)	645,940
Transversal Issues	140,302	307,879	(22,936)	425,245	(52,475)	(72,545)	22,916	(83,435)	34,162	(151,377)	273,868
Chief Whip	177,925	57,051	(96,330)	138,646	(26,546)	(20,671)	862	(8,247)	9,987	(44,615)	94,031
TOTAL	32,025,146	(274,587,590)	(5,886,707)	300,726,029	(9,121,157)	(18,226,815)	1,642,861	-	1,289,251	(24,415,859)	276,310,170

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ Deficit (-)
256,933,524	209,792,512*	47,141,012	GENERAL SERVICES	255,824,633	224,470,979	31,353,654
<u>256,933,524</u>	<u>209,792,512*</u>	<u>47,141,012</u>		<u>255,824,633</u>	<u>224,470,979</u>	<u>31,353,654</u>
	3,382,002	-3,382,002	Executive Mayor	-	4,766,954	-4,766,954
	2,941,600	-2,941,600	Speaker	-	3,089,965	-3,089,965
	4,586,927	-4,586,927	Mayoral Committee	-	4,272,226	-4,272,226
	6,344,803	-6,344,803	Municipal Manager	-	10,295,221	-10,295,221
256,933,524	98,122,569	158,810,955	Finance	255,824,633	118,118,568	137,706,065
	13,798,313	-13,798,313	Corporate Services	-	14,808,758	-14,808,758
	5,576,430	-5,576,430	Technical Services	-	6,201,826	-6,201,826
	12,065,900	-12,065,900	Community Services	-	15,038,776	-15,038,776
	45,447,378	-45,447,378	Council General Expenses	-	28,915,492	-28,915,492
	1,176,698	-1,176,698	Internal Audit	-	1,012,284	-1,012,284
	3,344,489	-3,344,489	Transversal Issues	-	2,510,875	-2,510,875
	6,640,807	-6,640,807	LED & Tourism	-	14,884,360	-14,884,360
	839,769	-839,769	Deputy Executive Mayor	-	-	-
	644,378	-644,378	Chief Whip	-	755,673	-755,673
	4,880,449	-4,880,449	Planning and Development	-	-	-
<u>256,933,524</u>	<u>209,792,512*</u>	<u>47,141,012</u>	<u>TOTAL</u>	<u>255,824,633</u>	<u>224,470,979</u>	<u>31,353,654</u>

* includes gains and losses on disposal of assets and actuarial valuation (R 1,109,123)

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

	<u>ACTUAL</u> 2010/2011 Surplus/ (Deficit) R	<u>BUDGET</u> 2010/2011 Surplus/ (Deficit) R	2011 Variance (R)	2011 Variance (%)
<u>REVENUE</u>				
Bad debts recovered – RSC Levies	33	-	-	
Government Grants and Subsidies	166,259,751	167,230,000	970,249	0.58%
Interest earned - External investments	777,682	2,598,440	1,820,758	70.1%
Other Income	4,529,223	3,927,194	602,029	15.3%
Dividend Received	65,907	-	(62,907)	-100%
Property Rates	76,337,160	76,337,160	-	-
Rent Facilities and Equipment	2,482,685	4,418,684	1,935,999	43.8%
Revenue from non exchange	6,481,083	6,481,083	-	-
<u>TOTAL REVENUE</u>	<u>256,933,524</u>	<u>260,992,561</u>	<u>4,059,037</u>	<u>1.41%</u>
<u>Expenditure</u>				
Employee related costs	61,257,920	71,677,999	10,420,079	14.53%
Remuneration of Councilors	9,996,539	10,035,438	38,899	0.38%
Depreciation	18,226,815	18,226,815	-	-
Repairs and maintenance	175,047	248,705	73,658	29.61%
Finance Charges	24,431,407	32,161,245	7,298,838	24.03%
General expenses – other	50,828,065	53 802 600	2,974,535	5.53%
Contracted Services	3,865,013	3,875,000	10,000	0.025%
Contributions to Provisions	37,415,199	37,415,199	-	-
Audit fees	2,487,384	2,500,000	12,616	0.5%
<u>TOTAL EXPENDITURE</u>	<u>208,683,389</u>	<u>229,943,001</u>	<u>21,259,612</u>	<u>8.78%</u>
Actuarial losses	952,000			
Gain / (loss) on sale of Assets	157,123			
Net surplus/(Deficit) for the year	<u>47,141,012</u>			

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

	<u>2011 Actual</u>	<u>2011 under Construction</u>	<u>2011 Total Additions</u>	<u>Budget</u>	<u>2011 Variance</u>	<u>2011 Variance</u>	<u>Explanation of Significant Variances greater than 5% versus budget</u>
	R	R	R	R	R	%	
<u>Community Assets</u>							
BUILDING	230,517,637	-	230,517,637	242 000 000	11,482,363	4.7%	Multiyear project budgeted over 3 years since 2008, the variance was used to fund furniture and equipments as shown below.
LAND	7,165,083	-	7,165,083	-	-	-	Donated by Mbombela local municipality (Revenue from non exchange) Only R680 000 was paid to ABSA the remainder was a donation from MLM
<u>Other Assets</u>							
Office Furniture	6,604,992	-	6,604,992	-	-	-	Was part of the multiyear office complex building budget
Office equipment	25,408,772	-	25,408,772	22,000,000	3,408,772	15.5%	The R22 000 000 was budgeted for the acquisition of the disaster Equipments whilst the variance relates to equipment for the offices Budget on the building budget
Motor vehicles Plant and equipment	1,272,127	-	1,272,127	-	-	-	Was part of the multiyear office complex building budget
Total	270,968,611	-	270,968,611	264,000,000			

EHLANZENI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed/withheld					Reason for delay/withholding of funds Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Yes/No	
		July	Sept	Dec	March	June	Jul	Sept	Dec	March	June	July	Sept	Dec	March	June			
Dwaf Drought Relief Dwaf																			
EDM Finance Management	Treas/FNT	1,000,000						250,000	250,000	250,000	250,000								
EDM Pims																			
Nsikazi Sport Field	National																		
Local Government Dept. Roads and Transp	MP Local																		
Nkomazi Lc Co-Funding	-																		
Umjindi Lc Co-Funding	-																		
Sanitation Pilot Projects																			
CBPWP Rapid Delivery Projects																			
Municipal Systems Improvement Grant MSIG	National	750,000						154,751	267,303					22,958					
Dept of Local Government and Housing	MP Local		2,000,000																
Municipal Infrastructure Grant MIG	National																		
National and Provincial Events	-																		
Seta	LGSeta	15,183					106,097												
TOTAL		1,765,183	2,000,000	-	-	106,097	404,751	250,000	250,000	250,000	250,000	272,958							